CHAPTER – I

INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

The banking system in India has come a long way during the last two centuries. Its growth was faster and the coverage was wider since 1969. Over 36000 centers now appear on the banking map of the country with an extensive branch network which has a diversified credit pattern. Traditional banking has gradually yielded to sophistication in credit management. In other words, the banking and finance industry in India is experiencing a period of dramatic change with disintermediation and of interest rates. There is sudden fury of ability especially in the private and the foreign banks in India.

The very nature of service marketing requires that the service organization should devote more attention on offering efficient services to the customers. As the services are invisible, they can gain confidence and good will through efficient and prompt customer services only. Among the service organizations banks play an important role in marketing various types of needs of the customers. Banks basically work on the goodwill of the customers. The best way of servicing and prospering in the competitive environment is through providing prompt, relevant and efficient customer service at reasonable cost.

Economic liberalization and globalization, information technology revolutionary, changing customer requirements and increasing competition have posed a challenge to the existing Indian Banking Scenario. During the
past few years, the banking sector had witnessed revolutionary changes\(^1\). The entry of private and foreign banks has posed a challenge to the monopoly enjoyed by the nationalized banks. With increasing competition, the importance of quality services in banking has gained paramount importance. To survive, banks will have to rethink their strategies in delivering quality services to attract and hold customers. The service challenge involves developing new services that will meet customers’ needs in a better manner improving the quality and the variety of existing services and finally, providing and distributing these economic services in a manner that best serves the customers.

The international economic environment is witnessing a number of changes. Trade negotiations among different countries have led to opening up of various sectors to foreign participation, which so far enjoyed government protection. The General Agreement on Tariff and Trade (GATT) which successfully launched seven rounds of negotiations has led to a reduction in tariffs from 5 per cent to less than 4 per cent as well as reductions in non tariff barriers. The latest Uruguay Round was most ambitious and took up areas of services, intellectual property rights and trade investments. Subsequent to this, many developing countries have moved towards liberalizing financial services, which has led to the growth of financial institutions, including banking.

Services in general are defined as an act of performance that one party can offer to another that is essentially intangible and does not result in the ownership of any thing. Its production may or may not be tied to a physical product\(^2\). Quality in services is an elusive concept. It is more

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difficult to evaluate tin services as compared to goods. Service quality depends heavily on the quality of the buyer-seller interaction. Service quality depends on both, the service deliverer and the quality of delivering. Service quality is measured not only on technical quality (performance of the service), but also on its functional quality (whether the service provider has shown concern and inspires confidence while performing the service). This, in turn, is influenced by various factors like responsiveness, empathy, tangibility, assurance and reliability.

Service quality is the conformance of services to the customer's specifications and expectation. The quality of service, therefore, depends on the ability of the server to meet the expectations of the customer. In the present scenario, internationalization of banking standards has become imperative. Not only is delivery of quality services essential for survival but also is imperative for growth and prosperity. As global competition in financial services intensifies, service quality is emerging as a new frontier of banking competition. One reason is the increasing difficulty of competing on the basis of products that are essentially commodities whose features can be easily copied and relevance on price competition is an initiation to steadily declining profit margin.

Customer satisfaction through face-to-face interactions and looks for a way to make customers feel special. This special feeling is created through pleasant surprises; unique actions or qualitative approach to

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The essence of service excellence is to delight the customer and exceed his / her expectation. Service excellence concentrates on listening, empowerment, and innovation and making customers and employees part of the action. Service excellence focuses on making the service, the products and the surroundings more convenient, easier, neater and unique. Service excellence builds on excitement, relationships and trust. While a quality service approach uses some of these elements they form the heart of service excellence.

The sustainable competitive position in service industry emphasizes the importance of quality of customer service, which has the impact of the technology advancement and the LPG namely, Liberalization, Privatization and Globalization. Thus, assessing customer service quality in service industries such as banks, hospitals, libraries, telecommunications and insurance is very important in determining the standard expected from the industry. Zeithaml (1988) explains that the service quality as the judgment of the customers regarding the performance of an organization. It is measured by way of attitude of the customers, which is the difference between customer's expectations and perceptions of the service performance received. Lewis and Booms (1983) describe service quality as a measure of matching the customer expectations with the degree of service delivery. Meeting the customers' expectations on a continuous

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basis determines the degree of service delivery. Service quality is measured with customers' expectations and perceptions of the services extended by an organization\textsuperscript{10}. For this purpose, perceptions (P) are expressed as consumers' attitude about the service received and expectation (E) as consumers' requirements. The P-E service quality model is designed to measure perceived quality, which is corresponding to perceptions- minus - expectations (Teas 1993). Customer expectations are attitudes about service delivery that is regarded as standards against which performance is decided, because customers compare their perceptions of performance with the standards while measuring service quality. Thus, knowledge about customer expectations is important to service marketers to attain sustainable competitive advantage by maintaining service quality.

The characteristics of services play a predominant role in determining the degree of service quality, which in turn makes the measurement of service quality difficult. Without prejudice, a service provider and a customer find it difficult to evaluate the service because of its intangibility. The services are considered to be intangible, as the customers perceive them instead of touching and seeing. It is very difficult for a service provider to arrange his service delivery systems to match the demand of the customer with the supply of services. This is so because the services are perishable in nature and the services cannot be made ready in advance and stored as that of materialistic items. The perishability of service also means that a service cannot be exactly repeated and it may result in dissatisfaction of the customers if their expectations are not met. The inseparability of services and service provider determine the role of people in service delivery systems. The heterogeneous nature of service

means that every service is considered as unique and at all times it differs from other services. Attaining sustainable competitive advantage is practically difficult because the services cannot be easily copied and patented11.

Services are often produced and consumed simultaneously, indicating that the customer is intimately involved in the process of producing and delivering a service. The involvement of customers in the service delivery process decides the nature of the service delivery process and its effectiveness. In general, the customer's judgment of service quality can be regarded as an appraisal of the service delivery process and the service outcome, by comparing the expectations of the customers and desired benefits. This paves the way to assess quality from a services marketing point of view namely, perceived service quality12.

**CUSTOMER SERVICE DELIVERY PROCESS**

Perceived service quality is the judgment of the customers of their overall experience of the service environment of an organization. The success in delivering quality service lays an understanding of how customers arrive at this judgment. When an organization fails to study and understand the process of customer's judgment, it will lose a customer. Exactly, the competitive companies will target the lost customer. This will threaten the competitive position of the company in the market. Customer Service Process (AD AT) must be followed by the service organizations through the golden rules of service process namely, Acknowledging (Greeting the Customer), Determining (Analyzing needs and wants),

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Accommodating (Satisfying the request quickly and efficiently) and Thanking (Appreciating the customer, confirm satisfaction)\textsuperscript{13}.

**CUSTOMER EXPECTATIONS TOWARDS SERVICES**

Adequate service can be defined as the lowest level of service the customers will expect without being discontented. Sources of satisfactory service expectations are transitory service intensifiers, perceived service alternatives, self-perceived service role and situational factors. Transitory service intensifiers consist of short-term individual factors which make a customer conscious of the need for service. Perceived service alternatives are additional service providers from whom the customers can get service. The customer's self-perceived service role is defined as customer perceptions of the degree to which customers exert an influence on the level of service they receive. Situational factors are defined as the service performance conditions that customers view as beyond the control of the service provider. Predicted service is the level of service the customers believe they are likely to get\textsuperscript{14}.

The type of service that the consumers believe a company can deliver and a consumer hopes to receive is termed as desired service. Sources of desired and predicted service expectations include explicit service promises, implicit service promises, word-of-mouth communications and past experiences. Explicit service promises are personal and non personal statements about the service made by an organization to customers and are completely in the control of the service provider. Implicit service promises are service related cues other than


explicit promises that lead to inferences about what service should and will be like. Word-of-mouth communications are the personal and non-personal statements made by the parties (including consumer reports, friends and family) other than the organization convey to customers what service will be like and influence both predicted and desired service. Past experience, the customer's previous exposure to service that is relevant to the focal service, another force in shaping predictions and desires.\textsuperscript{15}

**ZONE OF TOLERANCE OF CUSTOMERS**

The extent to which customers are willing to accept the variation between the adequate service and the desired service is called Zone of Tolerance. The performance that falls below the adequate service level will cause frustration and dissatisfaction, whereas one that exceeds the desired service level will please and surprise customers. The Zone of Tolerance can also regarded as the range of services within which customers do not pay explicit attention to service performance. When service falls outside this range, customers will react positively or negatively. The Zone of Tolerance can increase or decrease for individual customers depending upon such factors as competition, price and other service attributes. Customers perceive services in terms of the quality of the service and how satisfied they are, with their experiences. Companies today recognize that they can compete more effectively by distinguishing themselves with respect to service quality and improved customer satisfaction. Satisfaction is generally viewed as a broader concept, where as service quality

assessment focuses specifically on dimensions of service. Based on this view, perceived service quality is a component of customer satisfaction\textsuperscript{16}.

Service quality is an evaluation that reflects the customer's perception of elements of service such as interaction quality, physical environment quality and outcome quality. These elements are in turn evaluated based on specific service quality dimensions: reliability, assurance, responsiveness, empathy and tangibles. Satisfaction, on the other hand, is influenced by perceptions of service quality, product quality and price as well as situational factors and personal factors. Satisfaction is the customer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfillment.

The customer satisfaction is determined by features of product and service, emotions of the customer, attributions for service success or failure, perceptions of equity or fairness and other consumers, family members and co-workers. Customers of services will make trade-offs among different service features depending on the type of service being evaluated and criticality of the service. Positive emotions such as happiness, pleasure, excitement and a sense of warm-heartedness will enhance consumer's satisfaction. Negative emotions including anger, depression, guilt and humiliation have a strong effect on consumer's dissatisfaction. Attributions to the perceived events influence perceptions of satisfaction as well. When they have been satisfied by an outcome, consumers are inclined to find out the reasons and their assessments of the reasons can influence the satisfaction. Customers should get better treatment, better prices and better quality service. Notions of fairness are

central to consumer’s perceptions of satisfaction with products and services. In addition to product and service features and one's own individual feelings and beliefs, customer satisfaction is often influenced by other people also.

Banking system occupies an important place in the economy of a nation. It plays a pivotal role in the development of the economy of any nation. The liberalization and economic reforms in 1991 generated increased competition among banks. Increasing competition forced the banks to think of better ways and means of generating revenues from different sources other than the conventional borrowing and lending activities. A good banking sector with a good banking habit can accelerate the pace of development of a country. Banking is a key industry in the service sector and it is indeed the financial nerve center of the economy\textsuperscript{17}.

Nowadays many banks started giving importance to customer relationship and hence they used all sorts of technologically advanced services and facilitated their customers to avail benefits like facility to pay electricity bill, telephone and the like in order to retain them. Right from the seventies, there was clamor for improvement in customer services in banks. With the emergence of the new generation banks, introduction of technology, competition, deregulation and the like new dimensions to customer service has been added. In the present scenario, “Customers' Delight” has been the buzzword in banking. Both the old generation and the new generation banks are working hard to improve customer loyalty and retention equity. Economic reforms and the entry of the private players saw nationalized banks revamp their services and product portfolio to incorporate new, innovative customer-centric schemes. Indian Banking

System during Pre and Post liberalization period is shown in Table 1.1 (Paradigm Shift Scenario in India).

**Table 1.1**
**PARADIGM SHIFT – SCENARIO IN INDIA**

<table>
<thead>
<tr>
<th>Before 1991</th>
<th>After 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sellers Market</td>
<td>Buyers Market</td>
</tr>
<tr>
<td>Protected Market</td>
<td>Open Market</td>
</tr>
<tr>
<td>Not Many Global Brands</td>
<td>Increase in Number of Global Brands</td>
</tr>
<tr>
<td>Friendly Competition</td>
<td>Cut Throat Competition</td>
</tr>
<tr>
<td>Patient Customers</td>
<td>Demanding Customers</td>
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<tr>
<td>Limited Choice For Customers</td>
<td>Increasing Choice for Customers</td>
</tr>
<tr>
<td>Limited TV Promotion</td>
<td>Extensive TV Promotion</td>
</tr>
<tr>
<td>Cost Plus Pricing</td>
<td>Competitive Price - Cutting</td>
</tr>
<tr>
<td>Limited Role of Service</td>
<td>Increase Role of Service</td>
</tr>
<tr>
<td>Slower Marketing Reflexes</td>
<td>Quicker Marketing Reflexes</td>
</tr>
<tr>
<td>Speed@will</td>
<td>Turbo Speed</td>
</tr>
<tr>
<td>Fundamental Stand Alone System</td>
<td>Enterprise System (ERPI CRM I SCM)</td>
</tr>
<tr>
<td>IT Competitive Advantage</td>
<td>IT Enabler</td>
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<tr>
<td>Gaining New Customer</td>
<td>Retaining Existing Customer</td>
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<tr>
<td>Monologue</td>
<td>Dialogue</td>
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<tr>
<td>Transaction</td>
<td>Relationship</td>
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<tr>
<td>Standard of Living</td>
<td>Quality of Life</td>
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MEASUREMENT CRITERIA

The criteria or variables identified as important to measure or assess the customer satisfaction regarding banking services are briefly explained in the following pages:

1. AUTOMATIC TELLER MACHINE (ATM)

The ATM made its first appearance in the early part of 1990 in the City Bank, and later in the Hong Kong Bank. By the end of 1990, even Indian private banks and public sector banks came up with their own ATM networks under the initiative of the Indian Bank Association (IBA) in Mumbai. An ATM card is issued to the customer by the bank in order to make cash withdrawals at cash machines. It provides exchange services and helps the customer to withdraw money even when the banks are closed. The business house, having an ATM on its premises, can reduce the number of bad cheques and cut credit card expenses because the customer can withdraw cash for payment on the purchase made. Since the services are available all the 24 hours, the customer is easily satisfied. The ATMs have brought about a great welcome change in the service to customers. It allows the customers to transfer money to and from account, to scan account information and the like. Against this background, it is considered to be an important variable to study customer satisfaction towards services provided by the banks.

2. ATTITUDE OF THE EMPLOYEES

Every employee of a bank has a significant role to play in the success of the bank. The performance of any employee solely depends upon his / her attitude towards working in the bank and it is the basic tendency of every human being to be careless or show laziness in his job if
he / she is kept in a secured environment. The attitude of the employee towards his / her bank becomes very essential to attract new consumers to the bank, to convert consumers into their regular customers, to create a goodwill about the bank in the minds of the consumers, to safeguard the interest of the bank and to enhance the performance of the bank. As the primary focus of recruiting the right employee aims at satisfying the expectations of the customers, the variable named attitude of the employees" has been given due importance in this study.

3. CHEQUE PROCESSING PERIOD

It refers to the span of time taken by the bank to clear the cheque submitted by a customer. The customer submits a cheque to clear specific obligation. The time lag in clearing the cheque prevents the customers from fulfilling their obligation within a time period. In other words, it affects the customer expectation. It is important to note here that bankers take relatively much time to clear the outside cheque, as they have to collect from paying bank. However, the customer expects quick clearance of cheque. It is learnt that the modern private sector banks clear the outside cheque within a day and as a result, customers are highly satisfied with them. Against this background, cheque processing period is considered to be an important variable to evaluate the customer satisfaction.

4. CREDIT CARD FACILITY

A credit card is nothing but a very small card containing a means of identification through stored computer data, a signature and a small photo. It authorizes the holder to charge goods or services to his account on which he is billed. The bank receives the bill from the merchants and pays on behalf of the card holder. These bills are assembled in the bank and the amount is paid to the bank by the cardholder either totally or by
installments. The bank charges the customer a small amount for this service. The cardholder need not carry money with him when he travels or goes for purchasing. The different kinds of credit cards available to the public are Bank Card, Travel and Entertainment Cards (T&E) like American Express and Diner club, House Cards for use at stores and the like. Sears is the biggest one of this type. According to the customer preferences, the card can be classified as Credit card, Charge card, In Store card, Corporate credit card, Business card, Smart card, and Debit card. Credit cards have found widespread acceptance in the 'metros' and big cities. Credit cards are gaining popularity for online payments. Credit cards result in immediate overnight payments to the merchants. It helps the growth of commercial establishments, multipurpose departmental stores and supermarkets. In view of the above facts, credit cards facility is considered to be an important variable.

5. CUSTOMER CONVENIENCE FACILITY

The bank is the place where different kinds of people come together to avail different banking services. In addition to banking services, the customer needs some convenience facilities at the bank premises. These facilities help them to avail banking services with comfort. They need facilities like stationery items (pins, pens and the like) drinking water facility, furniture facility, telephone facility, toilet facility and the like. So that the customers can transact their needs without any discomfort. Therefore, customer convenience facility is considered to be an important variable for assessing customer satisfaction towards services provided by the banks. The views of customers on different facilities are studied.
6. GRIEVANCES REDRESSAL MECHANISM

It is nothing but the complaint box facility adopted by the banks. Receiving customer complaints, listening to the grievances patiently and solving the problems are important areas of customer service. The banks through “Customer Grievance Cells” in individual bank and “Ombudsman” at each state provide a redressal mechanism. Customers are free to contact the grievance cells in banks to make complaints about the banking services, problems etc. Banks will immediately attend to such grievances and settle the issues. The Government appoints the “Ombudsman” at the state level and the official would receive the grievance from the customers of all banks and provide solutions to the issues. It is the duty of the “ombudsman” to solve the issues within a stipulated time frame. If required, an enquiry is made by the “Ombudsman” into each case and advise the banks for further proceedings. This is one of the important aspects of customer service. Today customers are more discerning and have a very low tolerance regarding poor service. Customers have a greater propensity to switch over to another service provider. That is why they should be satisfied to the maximum possible extent to be retained by the bankers. Hence it is considered an important variable to assess the customer satisfaction towards the banking service.

7. LOAN PROCESSING PERIOD

Loan processing period refers to the period taken by a bank for sanctioning loans. Every bank fixes a set of norms to process the loan application and to test the credit worthiness and the like. Generally the loan sanctioning procedure differs from bank to bank. The period taken by banks depends on factors like document required for loan sanction, approach of the bank officials, loan application format and its content and
the like. It is expected that banks do not take long period for sanctioning
the loan as it leads to dissatisfaction among the borrowers. The borrowers
may feel embarrassed for approaching the officials frequently for loan.
Hence, it is considered an important variable for measuring the customer
satisfaction regarding services provided by the banks.

8. ONE WINDOW SERVICE

In a competitive era, one window service in bank is a novel
technique adopted by banks to attract customers. It is true that there is a
separate counter for each and every service, example, separate counter for
demand draft, withdrawal and the like. The customer who needs two
banking services at a time has to stand in a queue before each counter
(before DD counter and withdrawal counter). Under one window services,
the bank performs all possible banking services through a special counter.
These services include issuing demand draft, cash deposits and
withdrawals, cheque deposited and the like. This is considered as an
important variable because nowadays bank are becoming more customer-
centric. It is the duty of the banker to provide valuable services to their
customers without delay and error to retain and attract their customers.

9. ONLINE BANKING FACILITY

It refers to banking services provided through Internet. For
customers, Internet banking greatly increases convenience since they can
conduct many banking transactions 24 hours a day. Customization of
services to suit the user's needs is also possible. Private domestic and
foreign banks are eager to expand their retail banking businesses as
personal banking is more profitable than corporate banking. Since the
interest rates of the banks are less attractive than other investments, they
have to lure customers by highlighting convenience and value-added
services. In the promotion of convenience and wider reach, Internet banking is an excellent selling point. Internet banking makes it possible for clients to perform most of the mundane banking functions online. They can access account statements, order draft and cheque books, transfer funds between accounts, book deposits, stop payment instructions and communicate with the bank, among other things. The electronic banking has made the customer to say good-bye to the huge account registers and the large paper bank accounts. It is against this background that online banking facility is taken as an important variable for accessing the satisfaction level of services provided by the banks.

10. MAY I HELP YOU COUNTER

“May I Help You Counter” represents a special counter provided by the bank to assist people who come into a bank. The officials sitting at this counter first welcome the people who enter the bank. They clarify doubts of customers and provide all help to the customers. Their help normally includes filling up of applications, challans, answering queries and the like. It helps customers to feel free to visit banks without any hesitation. It also protects officials from disturbance by the public in working hours.

REFORMS IN BANKING SECTOR AND THEIR IMPACT ON BANKING SERVICES

The Banking Sector in India has undergone tremendous change during the past quarter century. Gone are the days when commercial banks were only "purveyor of credit", now they serve as catalytic agents in the economic progress of the nation. There was a period when only city dwellers alone were able to access and enjoy their services. Till the nationalization of 14 major commercial banks in 1969, the banks in India strictly adhered to traditional commercial banking principles. After the
nationalization, banks have introduced umpteen diversifications and innovations in their services and business. Now banks extend their services even to common people and their activities touch even unbanked areas\textsuperscript{18}.

The Indian banking industry has undergone major changes after liberalization and globalization reforms in the 1990's. In order to improve the functioning of the financial sector, particularly the banking sector, in India, Narashimham Committee (1991), Goiporia Committee (1990), Rangarajan Committee (1993) and Saraf Committee (1994) have proposed wide ranging measures. The Narashimham Committee (I & II) made several recommendations to improve the productivity, efficiency and profitability of the banking and the financial systems. In September 1990, the RBI setup another committee on customer services, under the chairmanship of Sri. M. N. Goiporia, Chairman, the State Bank of India to examine the problems of customer services in banks and suggested measures to improve the situation. The Rangarajan Committee (1993) highlighted that computerization must be looked upon as a means to improve the quality of customer services and enhance its efficiency. The Saraf Committee (1994) on technology issues advocated the system of Electronic Fund Transfer. Accordingly, the RBI started the EFT system in 1996\textsuperscript{19}.

In 1993 the RBI through its announcement approved the entry of foreign banks. The economic reforms envisaged by the Government of India allowed establishing of new private sector banks. The UTI Bank promoted by the UTI, LIC, GIC and its four associates was the first of the new generation bank to have begun operations in 1994. The Housing and


Development Finance Corporation Ltd. was amongst the first to receive an approval from the RBI (1994) to set up a bank (HDFC Bank Ltd.) in the private sector. The ICICI bank, India's second largest bank was formed in 1995 at the initiative of the World Bank and the Government of India. The Global Trust Bank, the Centurion Bank, the IDBI Bank and the Kotak Mahindra Bank also came into operation. The ING Vysya Bank Limited is an entity formed with the merger of erstwhile the Vysya Bank Limited with the ING of Dutch during 2002. The Oriental Bank of Commerce took over the Global Trust Bank in 2005 when it collapsed. In 2005 the IDBI Bank merged with the IDBI Limited with the sanction of the RBI. The Centurion Bank and the Bank of Punjab were merged and formed the Centurion Bank of Punjab in 2005. The new generation banks rapidly expanded their network by way of opening branches in cities and towns. The policy makers are now striving hard to downsize the public sector banks and to consolidate them into a few model and giant Global Corporate entities through mergers and amalgamations.

New generation and foreign banks are operating in a highly sophisticated environment by offering up-to-date products and services. Improved customer service has become very important for public sector and old private banks to survive and to grow in the emerging deregulated financial markets. Consequently, banks are under increasing pressure to offer today what customers would expect tomorrow. The banks now compete with one another to offer value-added services to customers to widen their client bases. Up-to-date products and services are offered to the customers by Indian banks viz. ATM, Any Where Banking, International Debit cum ATM Card, Home Banking, Mobile Banking, Internet Banking, Travel Currency Card, Credit Card, One window Service, Mobile Phone Recharge Facility, Priority Banking, Insurance

NATURE OF SERVICE

Consequent to the implementation of government policies on globalization and liberalization, the consumers have become more critical of the quality of service. Consumers are now aware of the alternatives available in relation to the service and the provider organization. Consumer expectations are rising and the provider organization must be aware of them. According to Philip Kotler, Professor of International Marketing, “A service is any act or performance that one party can offer to another that is essentially intangible and doesn’t result in the ownership of anything. Its production may or may not be tied to a physical product”.

“There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Everybody is in service,” said Theodore Levitt, legendary figure in the field of marketing.

DEFINITION OF SERVICE QUALITY

Lewis and Booms (1983) suggested that service quality results from a comparison of what customers feel a service-provider should offer

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with the provider’s actual performance. According to them, “Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customers expectations on a consistent basis.”

**DIMENSIONS OF SERVICE QUALITY**

While evaluating service quality, consumers examine the following: Tangibles, reliability, responsiveness, assurance and empathy. Tangibles include the service-provider’s physical facilities, its equipment and appearance of the employees. Reliability is the ability of the firm to perform the service promised dependably and accurately. Responsiveness is the willingness of the firm’s staff to help customer and to provide him with prompt service. Assurance refers to the knowledge and courtesy of the company’s employees and their ability to inspire confidence in the customer. Empathy is caring and the individualized attention that the service firm provides each customer.

**MANAGING SERVICE QUALITY**

Gronrooss, service marketing expert, proposed (refer Figure 1.1) that a service firm, in order to simultaneously attain success, must develop its service quality. Firstly, it must define how the consumers perceive service quality and secondly, determine in what way service quality is influenced. He also suggested that the functional quality is an important dimension of perceived service than the technical quality. Therefore, the essence of effectiveness in managing services lies in improving the functional quality of a firm’s service by managing the buyer-seller interaction as compared to traditional marketing activities.
NEED FOR SERVICE QUALITY IN BANKS

The competitive climate in the Indian financial market has changed dramatically over the last few years. Business houses have entered into financial service activities. Public sector banks have started mutual fund trusts and other financial service subsidiaries. These subsidiaries have introduced new products in the market, which have competitive advantage over products of the banks. Even private sector and foreign banks have introduced innovative services. A few Indian banks have started experimenting with new services by offering the Automatic Teller Machine (ATM) that provides 24 hours services.
The expectations of the customers have also changed nowadays. Many consumers expect a variety of services from the banks. Many household consumers, now, prefer to take consumer durable loans or buy on instant credit rather than save for a few years to buy the consumer durable.

As a result of this growing level of competition, service quality is emerging as an important element in bank’s activities. There is a need for the Indian banks to keep pace with their competitors by using service quality techniques for business growth.

CUSTOMER SATISFACTION

Customer satisfaction is an elusive area especially in service sector since offerings are intangible. In fact, it has been said that intangibility is the key to determining whether or not an offering is a service or a product. Customer satisfaction is the sum total of the customers expression of the service quality. What goes into making of service quality is important for the survival of the business itself and this can be identified only by diligent research backing. The survival of business has direct correlation with the satisfaction of the customer. Customer satisfaction, which is attributed to the conduct of business, has certain specific dimensions. Quantification and measurement of these dimensions is an area not sufficiently researched.

PERCEPTION OF CUSTOMER ON COMPETITIVE BANKING

The customers purchase bank’s products and services to derive satisfaction and acceptance from others. Therefore, customer behaviour is determined by the individual and others influences. It is the result of the
interaction of customer’s personal influences and the pressures exerted upon them by outside forces in the environment.

Here are four basic determinants of customer behaviour. They are individual needs, motives, perception and attitudes. The interaction of these four factors with environmental influences causes the customer to act. Hence the customer’s expectations are formed by their own experiences, words from friends, information given by banks and from its competitors.

Customer perception = Benefits Costs and Value of the Bank Products services.

Customer perception = Benefits Costs and Value with respect to Bank Product / Services.

When the Bank Customers realized benefits of the Bank Products Services exceeds benefits and when realized. Costs of the Bank Product / Services fail short of expected costs. Surplus is created largely and hence customer satisfaction will be the result.

**CUSTOMER EXPECTATION – ACTUALS - DEGREE OF CUSTOMERS SATISFACTION**

The level of customer satisfaction will be higher when the net benefit, derived from the Banks product and services is far higher. The dissatisfaction will be higher when excess cost is higher. High expectation as to net benefit not matched by actual results lead to dissatisfaction.
SIGNIFICANCE OF CUSTOMER COSTS RELATED TO BANK PRODUCTS / SERVICES

For responding to the competitive challenge banks should have consistent responsibility to identify systems that create value for customers. Once identified the systems must be subjected to continuous improvement for retaining the competitive advantage. As banking becomes more market driven bank Managers need to understand the relative profitability of both products and customers. The relating customer costs are,

MONETARY COST

The out of pocket of Capital and Maintenance cost incurred by Customers.

TIME COST

The amount of time spent in acquisition of bank product/services by customers.

ENERGY COST

The energy intensity and energy loss involved.

PSYCHIC COST

Psychological costs both real and irrational.

Minimization of the entire above stated customer cost should be the prime aim of the Bank in order to study its customer.
REASONS FOR BANK CUSTOMERS’ SHIFT IN LOYALTY

Several case studies disclose that the bank customers’ shift in loyalty is frequently occurring for the following reasons.

* Poor quality of services provided in the bank branches.

* Deregulation of completely or partially controlled economy dealing to more choice.

* Entrance of new competition in banking and

* Advent of new technology in banking.

Though the attraction towards acquiring new technologies will always be there, some banks do opt to continue with the existing technology because of resources constraint. Even such Banks can compete by offering lesser priced, low technology bank products / services with a good customer service and retain their customers.

NEED FOR SUSTAINED CUSTOMER SATISFACTION

Banking Industry has to sustain itself on its service. Survival and progress of banks are mainly influenced by their ability to market qualitative service to different classes of customers rather than the volume of their capital resources or size of the Bank.

THE INDIAN BANKING SECTOR: A SNAPSHOT

India is the largest country in South Asia with a huge financial system characterized by many and varied financial institutions and instruments. The Indian financial sector was well-developed even prior to the political independence of the country in 1947. The vastness of the Indian banking system could be gauged from Figure 1.2.
At the top of the banking system is the RBI, which is responsible for the prudential supervision of the banks and the non-bank financial institutions and for performing the other central banking functions. India’s largest bank – the State Bank of India –and its seven associate banks were brought under social control in the mid-to late fifties. Thereafter, with two successive nationalization of banks, another 19 banks (14 banks in 1969 and six in 1980s) were brought into the public sector. The PSBs occupy a predominant position in the Indian financial system.
NEED FOR THE STUDY

The competitive climate in the Indian financial market has changed dramatically over the last few years. Business houses have entered into financial service activities. Public sector banks have started mutual fund trusts and other products in the market, which have competitive advantage over product of the banks. Even private sector and foreign banks have introduced innovative services. A few Indian banks have started experimenting with new services by offering Automatic Teller Machine (ATM) that provides 24 hour services. The expectation of the customers has also changed nowadays. Many consumers expect a variety of services from the banks. Many household consumers now prefer to take consumer durable loans or buy on instant credit rather than save for a few years to buy the consumer durable.

As a result of this growing level of competition, service quality is emerging as an important element in banking activities. There is a need for the Indian banks to keep pace with their competitors by using service quality technique for business growth. Every bank tries to keep its customers base intact since the cost of acquiring a new customer is greater than the cost of retaining existing customers. The satisfied customers are not only an asset for a bank but also one of promotional measures for the bank. So that the banks are taking the service quality as a weapon to enrich the customer loyalty in the banking field. The perception on service quality is highly related to the customer satisfaction and loyalty. Hence, the present study has made an attempt to exhibit the components of service quality and its linkage with various outcomes namely customer satisfaction and loyalty.
STATEMENT OF THE PROBLEM

The liberalization and the Globalization lead to so many structural changes in the Indian financial sector. The financial reformations have significantly deregulated the market. Prior to liberalization era, the public sector banks acted as the monopolies whereas after liberalization era, these banks are facing high competition from private sector banks and also from foreign banks. The banks are realising the importance of non-price competition as their weapon to play in the markets. They realized the importance of customer needs and customer-oriented services to survive in the market. They also realized the need of consistent development in their service quality offered to their customers.

In the banking industry, there is an increase in sophisticated value added services to their customers at par in the foreign banks. In addition, improved technologies are resulting in a consistent increase in alter customers expectations. The banks are increasing the speed of services, handling customer complaints, service delivery in order to retain their customers’ base and also to attract the new customers. It is highly essential to estimate the customers’ expectations and perceptions on various services from commercial banks. Then only they can meet the customers’ needs in a deregulated environment. Hence, the customer is now a new watching word in the Indian banking scene. In addition, knowledge of costs and benefits of retaining consumers relative to attracting new ones draws company’s foremost attention to looking after present customers responding to their needs and problems, and developing a long run relationships.
OBJECTIVES OF THE STUDY

Based on the review of literature (mentioned in chapter II) and the research gap, the present study is confirmed to the following objectives.

1. To exhibit the socio-economic profile of the customers.

2. To analyze the factors influencing to choose the commercial banks among the customers in the PSBs and the PRSBs.

3. To identify the important service quality factors (SQFs) in commercial banks; (Public Sector and Private Sector Banks).

4. To examine the SERVQUAL and SERVPERF scale on SQFs among the customers in the PSBs and the PRSBs.

5. To analyze the various outcome of the service quality of commercial banks.

6. To evaluate the impact of the SQFs on the outcomes of the service quality of commercial banks and

7. To identify the important Discriminant factors among the customers in the PSBs and the PRSBs regarding their factors influencing to choose banks, SERVQUAL and SERVPERF scale on SQFs and customer satisfaction.

RESEARCH METHODOLOGY

Research Methodology is the way of systematically solving the research problem. It is a science of studying how research is conducted. The research methodology enlightens the methods to be followed in research activities starting from investigation to presentation. It includes the research design, the locale of research, the sampling framework, the
sources of data, the collection of data, the framework of analysis and limitations.

RESEARCH DESIGN OF THE STUDY

Research design is a framework or blueprint for conducting the research projects. It details the procedures necessary for obtaining the information needed to structure and/or solve research problems. The present study is descriptive and diagnostic in nature since the study describes the characteristics of service quality in banking industry. It is also marked by the prior formulation of specific hypothesis. It is a preplanned and structured design. The tool used to collect the data is pre-structured interview schedule. Since, the study is based on pre-planned objectives and methodology to fulfill the objectives, it is descriptive in nature. Since the study has made an attempt to analyze the impact of profile variables on the service quality of commercial banks, customer satisfaction and customer loyalty; and the impact of perception on service quality of commercial banks on customers satisfaction and customer loyalty, it is diagnostic in nature. Hence, the applied research design of the study is descriptive and diagnostic research design.

LOCALE OF RESEARCH

While studying the services marketing in banking industry, it is imperative to select the bank branches and customers in banks. Hence, it was decided to include the banks in the 12 blocks of Sivaganga district. The appropriate sampling technique has been used to select the customers of the commercial banks as the samples.
SELECTION OF THE STUDY AREA

Sivaganga district was purposely selected as the study area by the researcher for the following reasons.

1. There were no recent exclusive studies about the service quality of the banks in Sivaganga district.

2. Sivaganga district consists of both rural and urban areas. So, the study can focus on the differences between the two areas regarding the service quality and

3. Familiarity to culture, local dialect and infrastructure facilities available would help the researcher to develop a good rapport with the customers and staff in banks. Hence, better and valid responses could be received.

DESCRIPTION OF THE STUDY AREA

Sivaganga district was formed in March, 1985. The district has a total geographical area of 4189 sq. km. It is bound by Pudukottai District on North, Pudukottai and Ramanathapuram districts on North - East, Virudhunagar District on the South - West and Madurai district on the West. The district has a work force participation rate of 36.5 per cent with the total persons classified as workers numbering 14.97lakhs. In total 75 per cent of the work force are engaged in agricultural activities. The district experiences a very dry and hot climate with low degree of humidity. Normally the temperature varies from 22°C to 39°C. The average rainfall is 1017.96 mm.
ADMINISTRATIVE SET UP

The district has two Revenue Divisions comprising six taluks. It is divided into 12 Community Development Blocks for administrative convenience. It is presented in Table 1.3.

Table 1.2
ADMINISTRATIVE SET UP IN SIVAGANGA DISTRICT

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Revenue Divisions</th>
<th>Taluks</th>
<th>Development Blocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Devakottai</td>
<td>1.Triuppathur</td>
<td>1.Devakodai</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.Karaikudi</td>
<td>2.Kannangudi</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.Devakodai</td>
<td>3.Sakkottai</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.S.Pudur</td>
</tr>
<tr>
<td>II</td>
<td>Sivaganga</td>
<td>1.Sivaganga</td>
<td>5.Singampunari</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.Manamadurai</td>
<td>6.Thiruppathur</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.Illayangudi</td>
<td>7.Kallal</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8.Kalayarkoil</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.Sivaganga</td>
<td>10.Manamadurai</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.Devakodei</td>
<td>11.Tiruppuvanam</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12.Sivaganga</td>
</tr>
</tbody>
</table>


The following figure 1.3 is an exhibit Indian map, figure 1.4 exhibit Tamil Nadu State map and figure 1.5 exhibit Sivaganga District map. Sivaganga District is a part of Tamil Nadu State, which is one of the 32 Districts of Tamil Nadu State.
Figure 1.3
INDIA MAP
Figure 1.4

TAMIL NADU MAP
Figure 1.5

SIVAGANGA DISTRICT
COMMERCIAL BANKS IN THE DISTRICT

The commercial banks in this district are divided into public sector banks and private sector banks. The number of branches in the various administrative blocks in the district is given in Table 1.4.

Table 1.3
NUMBER OF COMMERCIAL BANKS IN SIVAGANGAI DISTRICT

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Block</th>
<th>Number of Branches in</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>PSB</td>
<td>PRSB</td>
</tr>
<tr>
<td>1.</td>
<td>Devakottai</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>2.</td>
<td>Ilayankudi</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>3.</td>
<td>Kallal</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>4.</td>
<td>Kalayarkoil</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>5.</td>
<td>Kannangudi</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>6.</td>
<td>Manamadurai</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>7.</td>
<td>Sakkottai</td>
<td>26</td>
<td>12</td>
</tr>
<tr>
<td>8.</td>
<td>Singampunari</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>9.</td>
<td>Sivaganga</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>10.</td>
<td>Tiruppathur</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>11.</td>
<td>Thiruppuvanam</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>12.</td>
<td>S. Pudur</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>93</strong></td>
<td><strong>36</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Credit Plan, 2008-2009.

In total, there are 129 commercial banks in the district. Out of the 129 branches, 93 branches are public sector banks whereas the remaining 36 branches are private sector banks. Among the twelve blocks in this district, the higher number of bank branches have been seen in Sakkottai and Kallal blocks which consist of 38 and 14 branches. The higher number of 26 and 12 branches of public sector banks are at the Sakkottai and
Kallal block. In the case of private sector banks, the higher number of branches are noticed in the Sakkottai and Singampunari block.

**SAMPLING FRAME WORK**

The Sivaganga district is divided into 12 blocks. The number of branches varies from 38 in Sakkottai to 3 branches at S. Pudur. In total 129 bank branches consist of 93 PSBs and 36 PRSBs are in the 12 blocks. All the 129 bank branches have been included for the present study. From each bank branch, only 5 customers have been purposively selected for the present study. Hence the sample size of the present study is 645 customers, which consists of 465 and 180 customers belonging to the public and the private sector banks. Hence the applied sampling technique is purposive sampling:

**OPERATIONALISED AND MEASUREMENT VARIABLES**

The variables selected in the present study are in descriptive nature. These variables are quantified with the help of scaling techniques. In order to keep up the uniform scale, the likert’s five point scales have been used throughout the research work. The variables and their measurement procedures are given in detail.

**OVER PERSONALITY SCORE**

The personality among the customers have been measured with the help of the related variables namely innovativeness, economic motivation, sociality, media exposure, banking orientation and scientific orientation among the customers. Each variable is measured with the help of some related statements. The customers are asked to rate these statements at five point scale. The score of the statements have been included to measure the
overall personality score of the customers. The overall personality score (OPS) is:

\[ \text{OPS} = \frac{\sum_{i=1}^{n} \text{SPV}_i}{\text{NPV}} \]

Whereas SPV – Score of Personality Variables / Statements
NPV – Number of Variables / Statements related to Personality

SERVQUAL SCALE

The SERVQUAL scale is a measurement of the difference between the perception and expectation on each service quality factors in the commercial banks. It is estimated by

\[ \text{SQI} = \sum_{j=1}^{K} (P_{ij} - E_{ij}) \]

Where as
SQI – SERVQUAL score of SQF for ‘i’ individual
P – Perception of individual ‘i’ with respect to performance of a service firms attitude (j)
E – Expectation of individual ‘i’ with respect to particular factor ‘j’ in commercial banks
K – Number of service quality variables / factors

SERVPERF SCALE

It is a performance only measurement of service quality of commercial banks. It is the aggregation of perception on the service quality factors offered by the commercial banks. It is computed by
SERVPERF Scale = \sum_{j=1}^{k} P_{ij}

P – Perception of individual ‘i’ with respect to performance of a service firm on attitude ‘j’

K – Number of attitudes / variables

CUSTOMERS SATISFACTION SCORE

The customer satisfaction represents the attitude of the customers on the various attitudes and services offered by the commercial banks. It is a summative attitude on the various variables related to the banks services. The overall customer satisfaction score (OCS) is measured by

$$OCS = \frac{\sum_{i=1}^{n} SCSV_i}{NCSV_i}$$

Whereas

SCSV – Score on variables related to customer satisfaction
NCSV – Number of variables included to measure customers’ satisfaction
i=1…n – Number of variables included to measure customers’ satisfaction.

SCORE ON CUSTOMER LOYALTY

The customer loyalty among the customers is operationalised with the help of six related statements. The customers are asked to rate statements at five point scale. The core of the statements have been included to compute the score on customer loyalty (SCL). It is computed by
Whereas

\[
SCL = \frac{\sum_{i=1}^{n} SCLV_i}{NCLV}
\]

SCLV  – Score on Customer Loyalty Variables

NCLV  – Number of Variables Included to Measure Customer Loyalty

i=1…n  – Number of Variables Included to Measure Customer Loyalty

FRAMEWORK OF ANALYSIS

For analyzing the data from the customers and the staff in banks, the relevant statistical tools were used to fulfill the objectives of the study. The selection of statistical tools was based upon the nature of data used and also the nature of objectives taken for fulfillment. The applied statistical tools are given below:

EXPLORATORY FACTOR ANALYSIS

The Exploratory factor analysis is a multivariate method to identify the underlying factors among a large number of interdependent variables. It seeks to extract common factor variances from a given set of observations. It splits a number of attributes or variables into a smaller group of uncorrected factors. It is called as the narration analysis. In the present study, the factor analysis has been used to narrate the data related to many aspects into meaningful factors from further analysis. In the present study, the factor analysis is used to narrate the data related to

1. Factors in Sharing in choice of Commercial Banks.

2. Factors in Commercial Banks Service Quality.

CONFIRMATORY FACTOR ANALYSIS

The confirmatory factors analyses have been administered to examine the reliability of the variables in each factor. It is examined with the help of coregent validity, unbent validity and discrimination validity. The standardized factor loading do the rankers in each factor. It is statistics compatible reliability Average romance extracted by each factors and the reliability co-efficient have been computed to sundement the reliability and validity of values in each factor.

In the present study, the CFA has been administered to find out the reliability and validity in the factor related to choosing of commercial banks since quality in commercial banks customers satisfaction and customer loyalty in commercial banks.

TWO GROUP DISCRIMINANT ANALYSIS

The objective of Discriminant analysis is to separate a population (or samples from population) into two distinct groups or two distinct conditionality. After such a separation is made, Discriminant one group against the other. By the important Discriminant variables, the two groups are identified.

The unstandardised canonical Discriminant function was estimated by

\[ Z = a + b_1 X_1 + b_2 X_2 + \ldots + b_n X_n \]

Where as

\[ X_1, X_2, X_3, \ldots X_n \] - Discriminant Variable
b_1, b_2, \ldots, b_n - \text{Canonical Discriminant Co-efficient}

a - \text{Intercept}

The Wilks Lambada was estimated as a multi-variant measure of group difference over discriminating variables. The relative Discriminant power of the variables was calculated by

\[ I_j = K_j \left( \bar{X} - \bar{X}_{jk} \right) \]

Where as

\[ I_j - \text{The important value of the } j^{\text{th}} \text{ variable} \]

\[ K_j - \text{Unstandarised Discriminant co-efficient for the } j^{\text{th}} \text{ variable.} \]

\[ X_{jk} - \text{Mean of the } j^{\text{th}} \text{ variable for } k^{\text{th}} \text{ group.} \]

The relative importance of a variable \( R_j \) is given by

\[ R_j = \frac{I_j}{\sum_{j=1}^{n} I_j} \]

In the present study, the two group Discriminant analysis has been applied to identify.

1. The Discriminant factors leading to choose the commercial banks among the customers in the PSBS and the PRSBS
2. The Discriminant service quality factors of customers in the PSBS and the PRSBS regarding their SERVQUAL and SERVPERF scale
3. The Discriminant factors in customers satisfaction among the customers in the PSBS and the PRSBS.
MULTIPLE REGRESSION ANALYSIS

Multiple regressions involve a single dependent variable and two or more independent variables whereas all the dependent and independent variable are in internal scale. The general form of regression model is

\[ Y = a + b_1 X_1 + b_2 X_2 + \ldots + b_n X_n + e \]

Where as

- \( Y \) - Dependent Variable
- \( X_1, X_2, X_3, \ldots X_n \) - Independent Variable
- \( b_1, b_2, \ldots b_n \) - Regression co-efficient of independent variables.
- \( a \) - Intercept and
- \( e \) - Error terms

In the present study, the multiple regression analysis has been used to analyze.

1. The impact of perception on the various dimensions of the Service Quality on Customer satisfaction
2. The impact of profile variables on the perception on the various service quality factors in the commercial banks
3. The impact of profile variables on the perception on the various factors in the customers’ satisfaction
4. The impact of profile variables on the customers’ loyalty among the customers.
The one way analysis of variance is applied when there is only one categorical variable or a single factor, which is in interval scale. The number of groups existing in the experiments are more than two. In order to find out the significant difference among these groups regarding the categorical variable, the one-way ANOVA has been applied. The ‘F’

\[ F \text{ ratio} = \frac{\text{Variance between groups}}{\text{Variance within groups}} \]

It is compared with the respective table value of ‘F’.

1. To find out the significant difference among the customers in the PSBS and the PRSBS regarding their attitude on the various SQFS in the commercial banks.

2. To find out the significant difference among the customers belonging to two groups of banks regarding their SERVQUAL and SERVPERF scale on the various SQFs in the commercial banks.

3. To find out the association between the profile of customers and their customer loyalty and the factors leading to the choice the commercial banks.

‘t’ Test

In order to find out the significant difference between two means regarding the various aspects, the ‘t’ test is applied.

\[ t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{(n_1 - 1)s_1^2 + s_2^2} \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}} \text{ with the degree of freedom of } n_1 + n_2 - 2 \]
Where as

\[ t \]  - ‘t’ static’s
\[ \bar{X}_1 \]  - Mean of the first sample
\[ \bar{X}_2 \]  - Mean of the second sample
\[ \sigma S^2_1 \]  - Variance in the first sample
\[ \sigma S^2_2 \]  - Variance in the second sample
\[ n_1 \]  - Number of samples in the first group
\[ n_2 \]  - Number of samples in the second group

The ‘t’ test has been administered to find out. The significant difference among the male and the female customers regarding their perception on banking attributes and service quality factors.

STRUCTURAL EQUATION METHOD (SEM)

The ‘SEM’ has been applied to analyze the direct and indirect effects of the SQFs on the customers’ satisfaction and customers’ loyalty.

LIMITATIONS OF THE STUDY

The present study is subjected with the following limitations.

1. The present study is confined to the commercial banks in Sivaganga district only.

2. The variables related to the service quality, customers’ satisfaction and customers’ loyalty are selected only with the help of the reviews the experts in banking industry at Sivaganga district.

3. The applied sampling procedure is non-probabilistic.
4. The service quality is studied on the basis of customers perception and

5. The impact analysis is carried out with an assumption of linear relationship between dependent and independent variables.

SCHEME OF THE REPORT

This work is presented in six chapters.

The first chapter discusses the introduction, objectives, scope and methodology adopted for the study.

The second chapter presents conceptual frame work and relevant reviews from the previous studies.

The third chapter analyses the profile of the respondents and their perception on factors leading to the choice of the commercial banks.

The fourth chapter includes the measurement of the SQFs in the commercial hands, application of SERVQUAL and SERVPERF scale on the SQFs, and the impact of profile variables on these two scales of SQFs.

The fifth chapter covers the lineage between the science quality factors in the commercial banks and the customers’ satisfaction and customers’ loyalty.

The sixth chapter contains the summary of findings, suggestions, scope for future research and conclusion.